Information Technology Investment Board

Minutes

Thursday, December 7, 2006

Virginia Information Technologies Agency (VITA) Auditorium
110 South Seventh Street, Richmond, VA

Attendance

Members Present:

The Honorable Aneesh Chopra	James F. McGuirk, II, Chair
Hiram R. Johnson, Vice Chair	Scott D. Pattison
Walter J. Kucharski	Leonard M. Pomata
Mary Guy Miller, Ph.D.	Alexander "Sandy" Thomas

Members Absent:
Kenneth S. Johnson, Sr.
Bertram S. "Bert" Reese

Others Present:

Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth
John Westrick, Office of the Attorney General
Marcella Williamson, ITIB Executive Director
Jody Wagner, Secretary of Finance of the Commonwealth
David Von Moll, State Comptroller
Edmond "Ned" O'Neill, Enterprise Applications Program Interim Director
Karen Farwell, VITA Change Management

Call to Order

Chairman James F. McGuirk, II, called the meeting of the Information Technology
Investment Board (ITIB) to order at approximately 9:09 a.m. Mr. McGuirk asked Marcella
Williamson to call the roll. The presence of a quorum was confirmed. Mr. McGuirk explained
that this special session was called specifically to hear a request from the Enterprise
Applications Program, an update on the rate structure for VITA charges to agencies, and to
have a work session on the vision and mission.

Enterprise Application Program

Secretary Jody Wagner provided a brief history of the need for an enterprise application
program for administration activities across agencies. She noted that the Commonwealth,

according to an Auditor of Public Accounts' audit, spent $556 million in five years on financial management systems that do not talk to each other. She said VITA looked at the issue, and began looking at PPEA proposals in 2004 that culminated in a partnership between the Commonwealth and CGI in December 2005 for the Enterprise Applications Project. She said the project has been formalized and the Commonwealth is moving forward.

Secretary Wagner said most state agencies use financial management systems. She said several agencies, including the Department of Accounts (DOA), Department of Planning and Budget (DPB), Department of Highways (DOH), Department of General Services (DGS) and VITA, have agreed to embrace an enterprise application system immediately.

Secretary Wagner said Phase 1 will focus on the financial management systems. She said the partnership with CGI is unique in that is an innovative approach to improve the financial management systems of the Commonwealth. Funding will come from a direct appropriation from the Commonwealth and increased tax revenue that CGI will help generate. She said this is a unique PPEA process rather than a straight procurement.

Secretary Wagner said an enterprise system should include human resources, supply chain and administrative management, but that the project first will address financial management.

She said if an enterprise solution is not considered, the Commonwealth still would face the need to replace financial systems and still would have to review budget processes, consider an Enterprise Resource Planning (ERP) software solution and hire an integrator. She said the current systems do not support the needs of most state agencies, and that 150 separate financial systems of various types were discovered during due diligence.

Secretary Wagner said there is a risk of system failure, a diminishing pool of knowledge to support antiquated COBALT systems, and the potential for material errors.

Phase 1, she said, will include budget development that would be implemented July 1, 2008, and budget execution and reporting to be implemented July 1, 2009.

She noted that interviewing begins tomorrow for the project director, but that Mr. O'Neill will serve in the interim.

Mr. O'Neill said Phase 1 will include nine functional areas, including general accounting, accounts payable, accounts receivable, an initial interface for procurement, fixed assets, cost accounting, performance budgeting, budget execution, time and attendance. Two statewide systems will be replaced -- DPB's ProBud and DOA's CARS. He said approximately 250 Commonwealth entities that use CARS will be impacted.

Mr. O'Neill said he expects it will cost $100 million for Phase 1, but noted that is a preliminary number. He said that a VDOT solution alone would cost $30 million, but VDOT will join in this system. He said after due diligence, Enterprise Application Program representatives will return to the ITIB with a cost benefit analysis and return on investment assessment. He said after talking with other states, he believes the $100 million is in the ballpark because of the scope and complexity of the project.

Mr. O'Neill said expected costs are $13 million for software, $9 million for hardware, $12 million for project resources, $60 million for integrator fees, $3 million for independent verification and validation, and $3 million for facilities and support.

He said he expects detail planning to take about nine months and that, based on approval of release of funds by the ITIB, work will begin next Monday. He said development to start in June 08 and the full go-live in 2009.

Next steps, Mr. O'Neill said, are to activate the tax collection agreement, hire a permanent Enterprise Application Program director, procure ERP software and plan the project. He provided a list of 26 deliverables through the third quarter of 2007.

Mr. Pomata said it would be best to have all agencies in on developing requirements at the beginning. He also questioned the schedule, time frame and the scope of the software request for proposals (RFP).

Mr. O'Neill took note of Mr. Pomata's suggestion and said that the schedule is aggressive, but doable. He added that the scope of the software request for proposal crosses all four areas, and is required for the fit-gap analysis portion of the planning process. He said there has been significant pre-planning on software requirements.

Mr. O'Neill said both VDOT and the Virginia Employment Commission (VEC) are in dire need of financial systems replacement, which would require functionality replacements and those systems can not be shut down because of time entry requirements. He said eVa, the state's procurement system, will be evaluated as to whether it should be replaced or integrated. He said there absolutely needs to be integration of procurement with financials.

Mr. Kucharski said an APA report cites a total lack on the part of central agencies in setting standards for integration of individual agency parts to exchange information. He said a volunteer buy-in process could mean spending another $100 million without standards in place.

Secretary Wagner said in crafting the future state, many issues have to be addressed including standards. She said the goal is not to end up with disparate systems that do not talk to each other.

Mr. Kucharski said there are many statutory requirements created because of the silos of government, and legislative changes may be required. Secretary Wagner said legislative changes will be submitted in the fall of 2007 for consideration in 2008. She said input from a variety of groups will be required to determine the legislation needed. She said enterprise application is more about re-engineering state government in some ways than just software.

Mr. Thomas asked if the $100 million includes financial management, but not for the other three categories. Mr. O'Neill said that was correct.

Dr. Miller said time and materials are variable costs, and asked where the leeway is that number. Mr. O'Neill said there is a buffer in that amount.

Mr. Pomata said final approval documents come to the ITIB in September. He noted that final approval documents are needed by June or July to be included in next year's September 1 Recommended Technology Investment Projects (RTIP) report to go to the Governor and General Assembly.

Mr. Kucharski asked staff if this was a normal project, where would project management be at this point. Dan Ziomek, VITA project management, said enterprise application has planning approval of the CIO. He said project management is comfortable with the overall management of planning and documentation.

Mr. O'Neill said enterprise architecture staff members are aware they can not contract for software until after development approval.

Mr. Stewart said there are VITA resources dedicated to the enterprise application project and there have been intense reviews and evaluations of the pre-planning process. He said VITA is comfortable with the plan as submitted.

Mr. Von Mall said all detail planning will be done by September 2007. He said planning must start and at the end of the planning process, there will be a plan for a future state. Secretary

Mr. Kucharski said many states have set the ERP as the standard, and any changes in agency systems after that must provide information to or get information out of the standard system. He said this should become the gold standard in the Commonwealth, and should be used to get budgets approved and payments to vendors. Agencies, he said, could have internal systems that interact. He said he does not see this plan emphasizing that the enterprise system being developed is the gold standard for the Commonwealth.

Mr. Pomata said there is an attempt to have the enterprise application as broad reaching as possible, which is good. He said his concern is if two agencies sign up, then $11 million for planning and $100 million for implementation is too much; but, if it turns out to be a statewide, those amounts are probably too little. He said it appears that in the first quarter that the future state environment will be developed, and asked if that is correct.

Secretary Wagner said she can not guarantee that the enterprise applications program staff will know about what every agency needs by April.

Mr. Hiram Johnson asked if the $11 million is part of the $100 million. Secretary Wagner said yes. He also pointed out that the ITIB has some influence on agency buy-in to the enterprise application project. Secretary Wagner stated that she looks forward to working with the ITIB on that.

Mr. Johnson also noted that he is sympathetic to the dilemma of trying to fit systems together, but there must be a plan. He said he is comfortable that there is enough oversight and project management, but is a little concerned about the funding.

Mr. Pattison said he is thrilled to see potential replacement of CARS and PROBud. He said he has heard horror stories about cost overruns from other states at national meetings about the implementation of financial systems. He suggested talking with other states. Secretary Wagner said there has been discussion with other states.

Mr. Stewart said part of the process has been collecting documents on the process and the return on investment. He said there are some very good programs out there about what works and does not work, and is easy to access, that will provide good metrics to incorporate.

Mr. McGuirk questioned the timeframe for the RFP, and Mr. O'Neill noted that approximately four weeks has been built into the schedule to allow for extra time if necessary.

Mr. McGuirk clarified that ITIB wants to see standards, and that future state design should be included. He said that will lead to the process change, rather than modifications to the software. He said customer satisfaction will not be high in the beginning, but the objective should be a better system for the Commonwealth. And, he said, Virginia should look at lessons learned by other states and use CGI's knowledge of such projects.

Secretary Wagner asked the ITIB to release all funds for planning, including funding from the next fiscal year and said she would approach DPB about allowing release of next year's funding.

After a lengthy discussion regarding the legality of the wording of the motion and whether release of funding for the next fiscal year is allowable, Mr. Pomata made a motion as follows:

> *The ITIB approves the release of the remainder of 2007 funds to the Enterprise Applications Program consistent with the Appropriations Act with the understanding that this project continues to be subject to the ITIB's oversight and Project Management Division monitoring.*

The motion was seconded by Secretary Chopra and approved on a voice vote.

CIO Report on Federal Cost Allocation Plan

CIO Stewart said the federal government has advised Virginia that it must change the cost allocation methodology to a single rate system for services provided agencies. He said this is one year in advance of the planned single rate billing for the IT infrastructure. He said JLARC's subcommittee has granted approval, and the state is awaiting a decision from the federal government.

He said the new rate structure will cost some agencies more and some less that they are paying now, but that VITA is working with DPB to alleviate the impact of the single rate structure. Mr. Stewart said this is a redistribution of dollars. He said as a result of the federal government's decision, some agencies are not paying their VITA bills and that is creating a cash flow issue for VITA.

Secretary Chopra applauded VITA's efforts to work with agencies quickly and develop a solution. He noted that the federal government only informed VITA of its concern in early October, and a plan was developed and submitted to the federal government in approximately less than six weeks.

Public Comment

Chairman McGuirk solicited public comment. There was none.

Vision, Mission Work Session

In a work session, Ms. Farwell asked members of the ITIB to provide words that should be included in the ITIB mission, noting that the purposeful choice of words is important in crafting mission. Each member did so.

Mr. Thomas then noted that the code sets the ITIB's mission, which is "the Board shall be responsible for the planning, budgeting, acquiring, using, disposing, managing, and administering of information technology in the Commonwealth."

With the code mandate and words proposed, the ITIB members agreed to the following mission statement: "The ITIB is responsible for IT in the Commonwealth."

Adjournment

A motion to adjourn was made by Mr. Pomata seconded by Dr. Miller and approved on a voice vote. Mr. McGuirk adjourned the meeting at approximately 12:06 p.m.